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11
12 **UNITED STATES DISTRICT COURT**
13 **FOR THE SOUTHERN DISTRICT OF CALIFORNIA**

14 EDWARD STELLINI, Derivatively on
15 Behalf of Himself and All Others Similarly
16 Situated,

17 Plaintiff,

18 vs.

19 WALTER P. HAVENSTEIN, A. THOMAS
20 YOUNG, FRANCE A. CORDOVA, JERE A.
21 DRUMMOND, THOMAS F. FRIST, JOHN J.
22 HAMRE, MIRIAM E. JOHN, ANITA K.
23 JONES, JOHN P. JUMPER, HARRY M.J.
24 KRAEMER, JR., LAWRENCE C.
25 NUSSDORF, EDWARD J. SANDERSON,
26 JR., and LOUIS A. SIMPSON,

27 Defendants,

28 -and-

SAIC, INC.,

Nominal Defendant.

Case No. **'12CV0373 W BLM**

**VERIFIED SHAREHOLDER
DERIVATIVE COMPLAINT**

DEMAND FOR JURY TRIAL

INTRODUCTION

1
2 1. Plaintiff, by and through his attorneys, brings this action derivatively on behalf
3 of nominal defendant SAIC, Inc. (“SAIC” or the “Company”) and alleges upon personal
4 knowledge as to himself and his own acts, and as to all other matters based upon the
5 investigation conducted by his attorneys, which included, among other things, a review of
6 Securities and Exchange Commission (“SEC”) filings, documents, analyst reports, news
7 reports, press releases, and other publicly-available information regarding the Company, as
8 follows:
9

10 2. This is a shareholder derivative action brought on behalf of the Company
11 against the members of its Board of Directors (“Board”) and certain of its executive officers
12 seeking to remedy defendants’ breaches of fiduciary duties and other violations of the law that
13 occurred from at least 2000 through the present (“Relevant Period”).
14

15 3. Since 2000, SAIC has developed and implemented an automated timekeeping
16 and workforce management system called CityTime for certain agencies of the City of New
17 York. Defendants breached their fiduciary duties to the Company by overbilling the City of
18 New York for time recorded by the CityTime program manager. In December 2010, the U.S.
19 Attorney’s Office for the Southern District of New York filed a criminal complaint against six
20 individuals, including principals of staffing firms that provided staff to the CityTime program
21 as subcontractors to SAIC. In February 2011, a federal grand jury indicted four of the
22 individuals and added another individual defendant. In May 2011, a criminal complaint was
23 filed against the former CityTime program manager, alleging that he conspired to defraud the
24 City of New York into extending and overpaying for the CityTime project and personally
25 received kickbacks totaling \$5.6 million.
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5. This Court has jurisdiction pursuant to 28 U.S.C. §1332(a)(2), as plaintiff and defendants are citizens of different states and the amount in controversy exceeds \$75,000, exclusive of interests and costs. This action is not a collusive action designed to confer jurisdiction on a court of the United States that it would not otherwise have.

7. Venue is proper in this Court under 28 U.S.C. §1391(a) because: (1) one or more defendants either reside in, or maintain executive offices in, this District; (2) a substantial portion of the transactions and wrongs complained of herein, including the defendants' primary

1 participation in the wrongful acts detailed herein, occurred within this District, and (3)
2 defendants have received substantial compensation in this District by conducting business
3 herein and by engaging in numerous activities that have had an effect in this District.

4 **PARTIES**

5 8. Plaintiff Edward Stellini is a current shareholder of SAIC and has been a
6 shareholder of the Company during the Relevant Period. Plaintiff is a citizen of the State of
7 Ohio.
8

9 9. SAIC is a provider of scientific, engineering, systems integration and technical
10 services and solutions to all branches of the United States military and to governmental
11 agencies. Science Applications International Corporation, the principal operating company of
12 SAIC, was formed in 1969. In October 2006, in connection with becoming a publicly-traded
13 company, Science Applications International Corporation completed a reorganization merger in
14 which it became a 100%-owned subsidiary of SAIC, after which SAIC completed an initial
15 public offering of its common stock. Prior to November 2009, SAIC had Class A preferred
16 stock and common stock outstanding. In November 2009, each share of SAIC Class A
17 preferred stock was converted into one share of common stock, which increased the number of
18 common shares outstanding and eliminated the preferred shares outstanding. SAIC is
19 incorporated in the State of Delaware with its principal executive offices located at 1710 SAIC
20 Drive, McLean, Virginia. Science Applications International Corporation is incorporated in the
21 State of Delaware with its principal executive offices located at 10260 Campus Point Drive, San
22 Diego, California.
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26 10. Defendant Walter P. Havenstein ("Havenstein") is, and at all relevant times was,
27 Chief Executive Officer ("CEO") and a director of SAIC. Havenstein joined SAIC as CEO and
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1 as a director in September 2009. From January 2007 until joining SAIC, Havenstein served as
2 Chief Operating Officer (“COO”) and member of the Board of Directors for BAE Systems plc,
3 a \$34 billion global aerospace and defense company, and as President and CEO of its U.S.
4 subsidiary, BAE Systems, Inc., with 53,000 employees and annual sales in excess of \$20
5 billion. From August 2005 to August 2007, Havenstein served as President of the Electronics &
6 Integrated Solutions Operating Group of BAE Systems, Inc. and served as Executive Vice
7 President since January 2004. Previously, Havenstein was President of BAE Systems’
8 Information and Electronic Warfare Systems business unit. Havenstein was also President of
9 the Sanders defense electronics business prior to it being acquired by BAE from Lockheed
10 Martin in 2000. Before joining Sanders in 1999, Havenstein was Vice President and General
11 Manager of the Strategic Systems Division of Raytheon. Plaintiff is informed and believes, and
12 thereupon alleges, that Havenstein is a citizen of the State of Virginia.

15 11. Defendant A. Thomas Young (“Young”) is, and at all relevant times was, a
16 director of the Company. Young has served as a director since July 1995. Young retired from
17 Lockheed Martin Corp. in 1995, after serving as an Executive Vice President from March 1995
18 to July 1995. Prior to its merger with Lockheed Corporation, Young served as the President and
19 COO of Martin Marietta Corp. from 1990 to 1995. Plaintiff is informed and believes, and
20 thereupon alleges, that Young is a citizen of the State of Florida.

22 12. Defendant France A. Córdova (“Córdova”) is, and at all relevant times was, a
23 director of the Company. Córdova has served as a director Since February 2008. Córdova has
24 been President of Purdue University since 2007. Córdova was Chancellor at the University of
25 California, Riverside, from July 2002 to July 2007, and was Vice Chancellor for Research and
26 Professor of Physics at University of California, Santa Barbara from August 1996 to July 2002.
27
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1 Córdova also served as Chief Scientist of the National Aeronautics and Space Administration
2 from 1993 to 1996, and headed the Department of Astronomy and Astrophysics at Pennsylvania
3 State University from 1989 to 1993. Córdova is also a member of the Board of Directors of
4 Edison International and of Southern California Edison. Plaintiff is informed and believes, and
5 thereupon alleges, that Córdova is a citizen of the State of Indiana.

6
7 13. Defendant Jere A. Drummond (“Drummond”) is, and at all relevant times was, a
8 director of the Company. Drummond has served as a director since July 2003. Drummond was
9 employed by BellSouth Corporation from 1962, until his retirement in December 2001.
10 Drummond also served as Vice Chairman of BellSouth Corporation from January 2000, until
11 his retirement. He was President and CEO of BellSouth Communications Group, a provider of
12 traditional telephone operations and products, from January 1998 until December 1999.
13 Drummond was also President and CEO of BellSouth Telecommunications, Inc. from January
14 1995 until December 1997. Drummond is also a member of the Boards of Directors of Borg-
15 Warner Automotive and AirTran Holdings, Inc. Plaintiff is informed and believes, and
16 thereupon alleges, that Drummond is a citizen of the State of North Carolina.

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19 14. Defendant Thomas F. Frist (“Frist”) is, and at all relevant times was, a director of
20 the Company. Frist has served as a director since September 2009. Frist is a principal of Frist
21 Capital LLC, a private investment vehicle for Frist and certain related persons, and has held
22 such position since 1994. Previously, Frist co-managed FS Partners, L.L.C. and worked at
23 Rainwater, Inc. in Fort Worth, Texas and in New York. Since 2006, Frist has served on the
24 Board of Directors of HCA, Inc. Plaintiff is informed and believes, and thereupon alleges, that
25 Frist is a citizen of the State of Tennessee.
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1 15. Defendant John J. Hamre (“Hamre”) is, and at all relevant times was, a director
2 of the Company. Hamre has served as a director since June 2005. Hamre has served as the
3 President and CEO of the Center for Strategic & International Studies, a public policy research
4 institution, since 2000. Hamre is also a member of the Boards of Directors of ITT Industries,
5 Inc., Oshkosh Corporation and MITRE Corporation. Plaintiff is informed and believes, and
6 thereupon alleges, that Hamre is a citizen of the State of Maryland.
7

8 16. Defendant Miriam E. John (“John”) is, and at all relevant times was, a director of
9 the Company. John has served as a director since June 2007. John retired from Sandia National
10 Laboratories, a science and engineering laboratory, in September 2006, after having served as
11 Vice President of Sandia’s California Division from April 1999 to September 2006. John
12 previously served in a number of managerial and technical roles for Sandia from 1982 to 1999.
13 John also serves on the boards of a number of federally funded national security laboratories.
14 Plaintiff is informed and believes, and thereupon alleges, that John is a citizen of the State of
15 California.
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17 17. Defendant Anita K. Jones (“Jones”) is, and at all relevant times was, a director of
18 the Company. Jones has served as a director since January 1998. Jones is University Professor
19 Emerita at the University of Virginia, where she has taught since 1989. Jones also served as
20 one of the Company’s directors from 1987 to 1993. Plaintiff is informed and believes, and
21 thereupon alleges, that Jones is a citizen of the State of Virginia.
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23 18. Defendant John P. Jumper (“Jumper”) is, and at all relevant times was, a director
24 of the Company. Jumper has served as a director since June 2007. Jumper is also a member of
25 the Boards of Directors of Goodrich Corporation, Jacobs Engineering Group Inc. and
26 Somanetics Corporation. Plaintiff is informed and believes, and thereupon alleges, that Jumper
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1 is a citizen of the State of Virginia.

2 19. Defendant Harry M.J. Kraemer, Jr. (“Kraemer”) is, and at all relevant times was,
3 a director of the Company. Kraemer has served as a director since April 1997. Kraemer has
4 been an executive partner of Madison Dearborn Partners, LLC, a private equity investment firm,
5 since April 2005, and has served as a professor at the Kellogg School of Management at
6 Northwestern University since January 2005. Kraemer previously served as the Chairman of
7 Baxter International, Inc., a health-care products, systems and services company, from January
8 2000 until April 2004, as CEO of Baxter from January 1999 until April 2004, and as President
9 of Baxter from April 1997 until April 2004. Kraemer also served as the Senior Vice President
10 and CFO of Baxter from November 1993 to April 1997. Kraemer is also a member of the
11 Boards of Directors of Sirona Dental Systems, Inc. and VWR International. Plaintiff is
12 informed and believes, and thereupon alleges, that Kraemer is a citizen of the State of Illinois.

15 20. Defendant Lawrence C. Nussdorf (“Nussdorf”) is, and at all relevant times was,
16 a director of the Company. Nussdorf has served as a director since September 2010. Nussdorf
17 has been President and COO of Clark Enterprises, Inc., a privately held investment and real
18 estate company, since 1998. Nussdorf has managed the day-to-day operations of the company
19 for more than 30 years, and is responsible for all aspects of its financial, investment and legal
20 activities and directs the company’s business strategies for growth and diversification. Plaintiff
21 is informed and believes, and thereupon alleges, that Nussdorf is a citizen of the District of
22 Columbia.

25 21. Defendant Edward J. Sanderson, Jr. (“Sanderson”) is, and at all relevant times
26 was, a director of the Company. Sanderson has served as a director since October 2002.
27 Sanderson retired from Oracle Corporation in 2002 as an Executive Vice President after having
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1 served since 1995. At Oracle, Sanderson was responsible for Oracle Product Industries, Oracle
2 Consulting and the Latin American Division. Prior to Oracle, Sanderson was President of
3 Unisys Worldwide Services and a partner at both McKinsey & Company and Accenture
4 (formerly Andersen Consulting). Plaintiff is informed and believes, and thereupon alleges, that
5 Sanderson is a citizen of the State of California.
6

7 22. Defendant Louis A. Simpson (“Simpson”) is, and at all relevant times was, a
8 director of the Company. Simpson has served as a director since July 2006. Simpson has also
9 served as President and CEO, Capital Operations, of GEICO Corporation, an automobile
10 insurance company, since May 1993. Simpson previously served as Vice Chairman of the
11 Board of Directors of GEICO from 1985 to 1993. Simpson is also a member of the Board of
12 Directors of VeriSign, Inc. Plaintiff is informed and believes, and thereupon alleges, that
13 Simpson is a citizen of the State of Florida.
14

15 23. Defendants Havenstein, Young, Córdova, Drummond, Frist, Hamre, John, Jones,
16 Jumper, Kraemer, Nussdorf, Sanderson, and Simpson are collectively referred to herein as the
17 “Individual Defendants.”
18

19 **DUTIES OF THE INDIVIDUAL DEFENDANTS**

20 24. By reason of their positions as officers and directors of the Company, and
21 because of their ability to control the business and corporate affairs of the Company, the
22 Individual Defendants owed the Company and its shareholders the fiduciary obligations of good
23 faith, trust, loyalty, and due care, and were, and are, required to use their utmost ability to
24 control and manage the Company in a fair, just, honest, and equitable manner. The Individual
25 Defendants were, and are, required to act in furtherance of the best interests of the Company
26 and its shareholders so as to benefit all shareholders equally and not in furtherance of their
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1 personal interests or benefit.

2 25. Each director and officer owed to the Company and its shareholders the fiduciary
3 duty to exercise good faith and diligence in the administration of the affairs of the Company and
4 in the use and preservation of its property and assets, and the highest obligations of fair dealing.
5 In addition, as officers and directors of a publicly held company, the Individual Defendants had
6 a duty to promptly disseminate accurate and truthful information concerning the Company's
7 revenue, margins, operations, performance, management, projections, and forecasts, so that the
8 market price of the Company's stock would be based on truthful and accurate information.
9

10 26. The Individual Defendants, because of their positions of control and authority as
11 directors and/or officers, were able to, and did, directly and/or indirectly, exercise control over
12 the wrongful acts complained of herein, as well as the contents of the various public statements
13 issued by the Company. Because of their executive, managerial, and/or directorial positions
14 within the Company, each of the Individual Defendants had access to adverse, non-public
15 information about the financial condition, operations, and misrepresentations made.
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17 27. At all times relevant hereto, each of the Individual Defendants was the agent of
18 the other Individual Defendants and of the Company, and was at all times acting within the
19 course and scope of such agency.
20

21 28. To discharge their duties, the Individual Defendants were required to exercise
22 reasonable and prudent supervision over the management, policies, practices and controls of the
23 financial affairs of the Company. By virtue of such duties, the Individual Defendants were
24 required to, among other things:
25

26 a. manage, conduct, supervise and direct the business affairs of the
27 Company in accordance with all applicable laws;
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1 b. neither violate, nor knowingly permit any officer, director or employee of
2 the Company to violate, applicable laws, rules and regulations;

3 c. establish and maintain systematic and accurate records and reports of the
4 business and affairs of the Company and procedures for the reporting of the business and affairs
5 to the Board and to periodically investigate, or cause independent investigation to be made of,
6 said reports and records;

7
8 d. neither engage in self-dealing, nor knowingly permit any officer, director
9 or employee of the Company to engage in self-dealing;

10 e. ensure that the Company complied with its legal obligations and
11 requirements, including acting only within the scope of its legal authority and disseminating
12 truthful and accurate statements to the SEC and the investing public;

13
14 f. conduct the affairs of the Company in an efficient, business-like manner
15 so as to make it possible to provide the highest quality performance of its business, to avoid
16 wasting the Company's assets, and to maximize the value of the Company's stock;

17
18 g. properly and accurately guide investors and analysts regarding the true
19 financial condition of the Company at any given time, including making accurate statements
20 about the Company's financial results and prospects, and ensuring that the Company maintained
21 an adequate system of financial controls such that the Company's financial reporting would be
22 true and accurate at all times; and

23
24 h. remain informed regarding how the Company conducted its operations,
25 and, upon receipt of notice or information of imprudent or unsound conditions or practices, to
26 make reasonable inquiry in connection therewith, and to take steps to correct such conditions or
27 practices and make such disclosures as necessary to comply with applicable laws.
28

29. Each Individual Defendant, by virtue of his or her position as a director and/or officer, owed to the Company and its shareholders the fiduciary duties of loyalty, good faith, the exercise of due care and diligence in the management and administration of the affairs of the Company, as well as in the use and preservation of its property and assets. The conduct of the Individual Defendants alleged herein involves a violation of their obligations as directors and/or officers of the Company, the absence of good faith on their part, and a reckless disregard for their duties to the Company and its shareholders that the Individual Defendants were aware, or should have been aware, posed a risk of serious injury to the Company. The conduct of the Individual Defendants, who were also officers and/or directors of the Company, has been ratified by the remaining defendants.

30. The Individual Defendants breached their duties of loyalty and good faith by allowing defendants to cause, or by themselves causing, the Company to misrepresent its financial results and prospects, as detailed herein, and by failing to prevent employees and/or officers of the Company from taking such illegal actions.

31. Additionally, the Company has established a Code of Business Conduct of the Board of Directors ("Code") that applies to all directors of the Company. The conduct of the Individual Defendants alleged herein constitutes a violation of the Company's Code. The Code provides, among other things, the following:

Ethics and integrity of action are core values at SAIC. This document defines the code of business conduct of the directors of SAIC and embodies their commitment to pursue the highest standards of ethical conduct. This Code is intended to describe areas of ethical risk, provide guidance to directors and help foster a culture of honesty and accountability.

Conflicts of Interest

Directors should avoid any conflicts between their own personal or business interests and the interests of SAIC. A conflict of interest can arise when a

1 director takes actions or has interests that may make it difficult to perform his
 2 or her work for SAIC objectively and effectively, or when a director, or a
 3 member of his or her immediate family* receives improper personal benefits as
 4 a result of his or her position as a director of SAIC. Even the appearance of a
 5 conflict of interest should be avoided. If a director becomes aware of an actual
 6 or potential conflict of interest with SAIC, he or she should promptly inform
 7 the Chair of the Ethics and Corporate Responsibility Committee. If the
 8 director's independence could be impaired, the director should also notify the
 9 Chair of the Board and the Chair of the Nominating and Corporate Governance
 10 Committee to consider what action, if any, may be required. In the case of a
 11 material conflict of interest, the director may be required to tender his or her
 12 resignation.

13 Some of the more common conflicts that directors should avoid are listed
 14 below:

15 ***Relationship with third-parties doing business with SAIC.*** Directors
 16 may not receive a personal benefit from a person or firm that is seeking
 17 to do business with SAIC. A director should recuse himself or herself
 18 from any Board decision involving another firm or company with which
 19 the director has a business relationship.

20 ***Organizational conflicts of interest.*** Directors involved with multiple
 21 organizations should avoid situations that are, or appear to be,
 22 organizational conflicts of interests. Such situations may arise, for
 23 example, when a director simultaneously serves on the board of
 24 directors of a customer, supplier or competitor.

25 ***Compensation from non-SAIC sources.*** Directors may not accept
 26 payment for services performed for SAIC from any source other than
 27 SAIC.

28 ***Personal use of SAIC assets.*** Directors may not use SAIC information
 or assets (including employee labor) for their own personal benefit
 unrelated to their role as an SAIC director.

Gifts. Directors may not offer, give or receive gifts from those who deal
 with SAIC where the gift is being made to influence the directors'
 actions as members of the Board, or where acceptance of the gift could
 create the appearance of a conflict of interest.

29 **Confidentiality**

30 Directors must maintain the confidentiality of information not generally known
 to the public and entrusted to them as directors, except when disclosure is
 appropriate in light of the context or is legally required.

1 Directors must not take for themselves or their companies business
 2 opportunities that they learn about as a director of SAIC and must not compete
 3 with SAIC for business.

4 **Compliance with Laws, Rules and Regulations; Fair Dealing**

5 Directors must comply with laws, rules and regulations applicable to their role
 6 as a director of SAIC, including the following:

7 ***Insider Trading.*** Directors are expected to comply with SAIC's Insider
 8 Trading and Disclosure Policy and applicable laws prohibiting trading
 9 in securities of SAIC or its business partners if the director has material,
 non-public information about them.

10 ***Communications with Government Personnel.*** A director's discussions
 11 with current or former federal government employees, including
 12 military personnel, must comply with applicable restrictions on
 recruiting them to work for SAIC or serve on SAIC's board.

13 ***Participation in the Political Process.*** Directors are expected to
 14 conduct their political activities and interactions with government
 15 officials in accordance with applicable law. Certain states and localities
 16 have "pay-to-play" laws, which may restrict and/or require disclosure of
 17 political donations by SAIC, its employees, or its directors. These laws
 18 may also apply to political contributions by certain family members of
 19 directors. The scope of family members covered depends on the
 jurisdiction and circumstances, but generally covers spouses and
 dependent children. Directors should avoid, and should attempt to
 ensure that their covered family members avoid, making political
 contributions that could restrict SAIC's business or violate these laws.

20 ***Procurement Integrity and Use of Competitive Information.*** Directors
 21 should avoid knowingly obtaining bid or proposal-related information
 22 about a competitor. If a director obtains confidential information about
 23 a competitor, customer or supplier of SAIC, the director should not
 24 convey that information to SAIC. Directors should avoid discussions
 25 with SAIC's competitors that could restrain competition or otherwise
 violate antitrust laws, such as discussions involving non-public or
 sensitive information about SAIC's or a competitor's costs, profits,
 pricing, bids, markets and similar competitive information.

26 ***Gifts, Gratuities and Bribes.*** Directors should not offer or give a gift or
 27 gratuity to any customer or U.S. or foreign government official, or
 28 accept or solicit a gift from any supplier, where doing so could

influence a government official or create a perception that favorable treatment is being sought, received or given, except as permitted by law.

Compliance with U.S. Export and Sanctions Regulations. In accordance with U.S. export regulations, directors are responsible for protecting export-controlled information received in their capacity as a director from unauthorized disclosure to foreign persons or entities.

In addition to complying with laws and regulations, directors should deal fairly with SAIC's customers, suppliers, competitors and employees. Directors are encouraged to consult with SAIC's General Counsel if they have any questions about their compliance with applicable rules or about SAIC's business practices.

Waiver of Code of Ethics

Any waiver of this Code may be made only by the Board of Directors and must be promptly disclosed to SAIC's stockholders.

Reporting Misconduct and Seeking Guidance

Directors should promptly inform the Chair of the Ethics and Corporate Responsibility Committee of any violations of this Code that come to their attention. Violations will be investigated and the Board will take appropriate action. Directors may consult with the Chair of the Ethics and Corporate Responsibility Committee, the General Counsel or the Senior Vice President, Ethics and Compliance if they have any questions about this Code.

No code or policy can anticipate every situation that may arise, or replace thoughtful and ethical behavior. Directors are encouraged to bring questions about particular circumstances that may implicate one or more of the provisions of this Code to the attention of the Chair of the Ethics and Corporate Responsibility Committee, the General Counsel or the Senior Vice President, Ethics and Compliance. All information required to be reported or disclosed by this Code is based on the best knowledge of the director.

CONSPIRACY, AIDING AND ABETTING, AND CONCERTED ACTION

32. In committing the wrongful acts alleged herein, the Individual Defendants have pursued, or joined in the pursuit of, a common course of conduct, and have acted in concert with, and conspired with, one another in furtherance of their common plan or design. In addition to the wrongful conduct herein alleged as giving rise to primary liability, the Individual Defendants further aided and abetted and/or assisted each other in breach of their respective

1 duties.

2 33. During all times relevant hereto, the Individual Defendants collectively and
3 individually initiated a course of conduct that was designed to and did:

4 (a) Conceal the fact that the Company was improperly
5 misrepresenting its financial results in order to allow defendants to artificially
6 inflate the price of the Company's shares;

7 (b) Maintain the Individual Defendants' executive and directorial
8 positions at the Company and the profits, power, and prestige that the Individual
9 Defendants enjoyed as a result of these positions; and

10 (c) Deceive the investing public, including shareholders of the
11 Company, regarding the Individual Defendants' management of the Company's
12 operations, the Company's financial health and stability, and future business
13 prospects, specifically related to the Company's financial condition that had been
14 misrepresented by the Individual Defendants throughout the Relevant Period.

15 34. In furtherance of this plan, conspiracy, and course of conduct, the Individual
16 Defendants collectively and individually took the actions set forth herein.

17 35. The Individual Defendants engaged in a conspiracy, common enterprise, and/or
18 common course of conduct during the Relevant Period. During this time, the Individual
19 Defendants caused the Company to conceal material facts, misrepresent its financial results, and
20 violate applicable laws. In addition, the Individual Defendants also made other specific, false
21 statements about the Company's financial performance and future business prospects, as alleged
22 herein.

36. The purpose and effect of the Individual Defendants' conspiracy, common enterprise, and/or common course of conduct was, among other things: (1) to disguise the Individual Defendants' breaches of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets, and unjust enrichment; (2) to conceal adverse information concerning the Company's operations, financial condition, and future business prospects; and (3) to artificially inflate the price of the Company's stock so that the Individual Defendants could protect and enhance their executive and directorial positions and the substantial compensation and prestige they obtained as a result thereof.

37. The Individual Defendants accomplished their conspiracy, common enterprise, and/or common course of conduct by causing the Company to purposefully, recklessly or negligently misrepresent its financial results. Because the actions described herein occurred under the authority of the Board, each of the Individual Defendants was a direct, necessary and substantial participant in the conspiracy, common enterprise, and/or common course of conduct alleged herein.

38. Each of the Individual Defendants aided and abetted and rendered substantial assistance in the wrongs alleged herein. In taking such actions to substantially assist the commission of the wrongdoing alleged herein, each Individual Defendant acted with knowledge of the primary wrongdoing, substantially assisted the accomplishment of that wrongdoing, and was aware of his or her overall contribution to, and furtherance of, the wrongdoing.

BACKGROUND

39. SAIC is a provider of scientific, engineering, systems integration and technical services and solutions to all branches of the U.S. military, agencies of the U.S. Department of Defense (“DOD”), the intelligence community, the U.S. Department of Homeland Security

1 (“DHS”) and other U.S. Government civil agencies, state and local government agencies,
2 foreign governments and customers in select commercial markets. The Company’s business is
3 focused on solving issues of national and global importance in the areas of national security,
4 energy and the environment, critical infrastructure and health. SAIC is focusing its investments
5 to expand the Company’s business in areas emphasizing: (1) intelligence, surveillance and
6 reconnaissance; (2) cyber security; (3) logistics, readiness and sustainment; (4) energy and
7 environment; and (5) health technology.

9 40. The Company’s business is conducted in three reportable segments: (1)
10 Government; (2) Commercial; and (3) Corporate and Other. SAIC defines its reportable
11 segments based on the way the Company’s chief operating decision maker manages SAIC’s
12 operations for the allocation of resources, decision making and performance assessment. The
13 Company’s operating business units are aggregated into the Government or Commercial
14 segments, depending on the nature of the customers served, the contractual requirements and
15 the regulatory environment governing the business unit’s operations. The Corporate and Other
16 segment includes the operations of the Company’s internal real estate management subsidiary,
17 various corporate activities and certain corporate expense items that are not reimbursed by
18 SAIC’s U.S. Government customers. The Company’s Corporate and Other segment does not
19 contract with third-parties for the purpose of generating customer revenues. Substantially all of
20 the Company’s revenues and tangible long-lived assets are generated by, or owned by, entities
21 located in the United States.

22 **THE INDIVIDUAL DEFENDANTS’ WRONGFUL CONDUCT**

23 41. For more than ten years, the City of New York has been developing and
24 attempting to implement CityTime, an initiative to modernize the payroll system for New York
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1 City employees. The project was originally budgeted to cost the City of New York \$63 million
2 to complete, but it has resulted in costing more than \$600 million, with additional expenditures
3 still required.

4 42. SAIC was the primary contractor on CityTime. Between 2003 and 2010, Gerald
5 Denault (“Denault”) was an employee of SAIC, and served as SAIC’s Program Manager for
6 CityTime. Among other things, Denault was responsible for: (1) selecting and overseeing
7 subcontractors hired by SAIC to assist with CityTime; (2) submitting bills to the City of New
8 York seeking payment for work purportedly performed by SAIC employees and subcontractors
9 on CityTime; and (3) developing proposed CityTime work orders. Denault was also responsible
10 for developing contract amendments seeking approval for SAIC to perform additional work on
11 the project. Carl Bell (“Bell”) worked as Chief Systems Engineer in the New York office of
12 SAIC from 2003 to 2011. Between 2003 and 2010, the City of New York disbursed over \$600
13 million to SAIC in connection with CityTime.
14

15 43. From 2003 to 2010, there was a massive scheme to defraud the City of New
16 York in connection with CityTime. The individuals primarily responsible for the project
17 collaborated in an effort to overbill and otherwise defraud the City of New York. As a result,
18 virtually all of the \$600 million that the City of New York paid to SAIC for CityTime was
19 tainted by fraud. For instance, Denault used his authority at SAIC to cause consultants to be
20 hired at inflated rates, to artificially delay the implementation of the project, and to approve
21 work orders for unnecessary staffing increases. Additionally, SAIC executives received
22 millions of dollars in kickbacks in connection with work steered to Technodyne LLC
23 (“Technodyne”), the primary subcontractor for CityTime. For example, Denault and Bell were
24 each paid five dollars for every hour worked by every consultant hired by, or through,
25
26
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28

1 Technodyne. Denault also received an additional two dollars for every hour worked by a
2 consultant for D.A. Solutions and Prime View. As a result, Denault received more than \$9
3 million in kickbacks, and Bell received at least \$5 million in kickbacks.

4 44. A June 20, 2011 *New York Times* article reported the following regarding this
5 scheme:
6

7 Nearly all of the \$600 million that New York City has paid to the main
8 contractor for its troubled automated payroll project has been tainted by fraud,
9 prosecutors said Monday in announcing a new indictment that charged two
technology executives and their company in what a United States attorney called
a “massive and elaborate scheme.”

10 “Today we allege what many have long feared: The CityTime project was
11 corrupted to its core by one of the largest and most brazen frauds ever committed
12 against the City of New York,” Preet Bharara, the United States attorney for
Manhattan, said at a news conference.

13 It was the first time that Mr. Bharara, who was joined by Rose Gill Hearn, the
14 commissioner of the city’s Department of Investigation, had held a news
15 conference about CityTime since the scandal broke in December. The new
16 indictment also adds accusations against six other people who had been
previously charged in the case.

17 In addition to announcing the new indictment, prosecutors said the chief systems
18 engineer in the New York office of the contractor, Science Applications
19 International Corporation, had pleaded guilty to charges and was the second
20 central figure to cooperate with the authorities. Prosecutors also said the fraud
was much more systemic than they had first realized, and stretched back to 2003,
two years earlier than they had said previously.

21 While no city official has been implicated, investigators suggested that the
22 Bloomberg administration, which was deeply invested in the project and anxious
23 for the technology to work, had failed to recognize what Mr. Bharara said was a
scheme that “appears to have metastasized over time.”

24 Ms. Gill Hearn said, “The individuals charged today understood, exploited and
25 preyed upon the city’s desire to modernize its timekeeping and payroll
26 operations for more than 160,000 employees.”

27 The latest indictment names Reddy and Padma Allen, the top executives at
28 TechnoDyne L.L.C., a married couple who are naturalized American citizens
from India. Padma Allen, at least, was a businesswoman of some standing: a

1 medical doctor by training, she attended a White House briefing in December on
2 minority business issues, and she was named one of Ernst & Young's
entrepreneurs of the year in New Jersey in 2010.

3 Prosecutors alleged in papers unsealed on Monday that "the vast majority of
4 TechnoDyne's business and the engine of its growth was business it secured
5 from S.A.I.C. in exchange for paying kickbacks." And after the Allens in
6 December became aware of the federal investigation, they provided "false
talking points" to Carl Bell, the S.A.I.C. systems engineer, in order to throw off
investigators, according to prosecutors.

7 In all, 11 people and one company, TechnoDyne, have been charged in the case,
8 which has stained the third term of Mayor Michael R. Bloomberg. One defendant
9 has died, and two have entered guilty pleas and agreed to cooperate with the
authorities.

10 When asked about the latest developments, Marc LaVorgna, a spokesman for
11 Mr. Bloomberg, said: "Our Department of Investigation uncovered this fraud,
12 bringing it to federal prosecutors, and we will be using all available avenues to
13 recover any funding owed to the city. S.A.I.C. has been removed from the
project, and substantial reforms have been made to the way large city contracts
are managed."

14 According to investigators, the scheme was hatched by Mark Mazer, a consultant
15 to the city's Office of Payroll Administration, who, owing to his close
16 relationship with the office's executive director, Joel Bondy, enjoyed unusually
17 wide latitude in approving contracts. (Mr. Bondy resigned in December, but has
not been charged with any crime.)

18 The defendants are accused of defrauding the city by hiring consultants who
19 were not needed, inflating the rates charged for consulting work and — in an
20 irony, given the project's subject matter about timekeeping — inflating the hours
worked by consultants.

21 Over all, the city paid over \$600 million to Science Applications International,
22 which employed two people who were named in the indictment unsealed on
23 Monday: Gerard Denault, who had been the CityTime project manager at
24 Science Applications International, and Mr. Bell, who pleaded guilty to charges
that included wire fraud conspiracy, wire fraud and money-laundering
conspiracy.

25 According to the indictment, Mr. Denault and Mr. Bell directed \$400 million
26 from Science Applications International to TechnoDyne, of Wayne, N.J., as the
27 CityTime project's primary information technology subcontractor, in exchange
28 for \$15 million in kickbacks. TechnoDyne paid \$75 million to two smaller
subcontractors, who then provided \$25 million in kickbacks to Mr. Mazer, the

1 indictment says. One of those subcontractors has entered a guilty plea and is
2 cooperating with the authorities.

3 After Mr. Denault was arrested late last month, and the Allens were indirectly
4 referenced as co-conspirators, TechnoDyne abruptly halted its operations.

5 Lawyers for TechnoDyne and Mr. Bell did not return calls seeking comment. It
6 could not be determined whether the Allens had a lawyer. A lawyer for Mr.
7 Mazer, Gerald Shargel, said, "A change in the indictment does not change the
8 fact that Mark Mazer committed no fraud."

9 A spokeswoman for Science Applications International declined to comment.

10 But the tale of the Allens is hardly over. Earlier this year, the two apparently fled
11 to India, and their whereabouts are unknown to federal authorities. Jacques
12 Semmelman, an expert in international extradition, said extradition could take
13 anywhere from a few months to a few years. But Mr. Bharara was unbowed.

14 "We will take all the steps to locate them," he said, "and bring them to justice in
15 New York."

16 45. Similarly, a June 21, 2011 *Wall Street Journal* article entitled, "CityTime Project
17 Awash in 'Fraud'" reported the following:

18 Fraud permeated "virtually every level" of the development of New York City's
19 long-delayed and over-budget automated payroll system, U.S. Attorney Preet
20 Bharara said Monday as he announced the indictments of two New Jersey
21 executives accused of paying off contractors.

22 Padma and Reddy Allen, the top executives at TechnoDyne, a consulting
23 company that worked on the city payroll system known as CityTime, were
24 accused of handing out more than \$40 million in kickbacks as part of an
25 elaborate scheme to defraud city taxpayers. The couple had already returned to
26 their native India, and authorities are pursuing them.

27 TechnoDyne, which abruptly fired all its employees in recent weeks as the
28 investigation heated up, was also indicted. Mark Lerner, whom Mr. Allen
identified in a email to employees as TechnoDyne's legal counsel, didn't return a
request for comment.

Another individual, Carl Bell, a chief systems engineer at Science Applications
International Corp., the lead contractor on CityTime, pleaded guilty last week to
receiving millions of dollars in kickbacks. He is cooperating with authorities.

In total, 11 people, plus TechnoDyne, have been charged in the continuing
investigation. Two, including Mr. Bell, have pleaded guilty, and one has died.

1 On Monday, Mr. Bharara referred to the first round of charges in this case – six
2 people in December – as the “tip of the iceberg.”

3 “Unfortunately, in just the few months since the first announcement of arrests,
4 we have developed evidence that the corruption on CityTime was epic in
5 duration, magnitude and scope,” he said.

6 The fraud allegedly involved more than \$600 million in city funds, more than
7 \$40 million in kickbacks and an international network of shell companies and
8 accountants created for the sole purpose of laundering cash, Mr. Bharara said.

9 “The CityTime project was corrupted to its core by one of the largest and most
10 brazen frauds ever committed against the city of New York,” Mr. Bharara said at
11 a downtown news conference.

12 The alleged corruption scheme has proved to be an embarrassment to Mayor
13 Michael Bloomberg, whose reputation as an expert manager has been damaged
14 by the case. Critics have accused the mayor and his administration of failing to
15 monitor the project and effectively guard against fraud.

16 The CityTime project has suffered from massive cost-overruns since its inception
17 in the 1990s. The cost of the project has ballooned to more than \$700 million
18 from about \$68 million. Roughly 165,000 employees are on the system today.

19 In a statement, Mr. Bloomberg’s spokesman, Marc LaVorgna said, “Our
20 Department of Investigation uncovered this fraud, bringing it to federal
21 prosecutors, and we will be using all available avenues to recover any funding
22 owed to the city.”

23 SAIC has been removed from the project and “substantial reforms” have been
24 made to the way large city contracts are managed, Mr. LaVorgna said. A
25 spokeswoman for SAIC said she was aware of Monday’s developments but
26 declined to comment.

27 According to the indictment, TechnoDyne and the Allens agreed to pay Mr. Bell
28 and Gerard Denault, who was the project manager for SAIC, \$5 each for every
hour worked by every TechnoDyne consultant hired to work on CityTime. Mr.
Denault allegedly received more \$9 million in kickbacks, and Mr. Bell received
over \$5 million in kickbacks.

Mr. Denault has denied any wrongdoing, and his attorney has said he ultimately
will be vindicated.

Mr. Bharara declined to say whether authorities in India are cooperating with
law-enforcement officials in the U.S. as they pursue the Allens.

Rose Gill Hearn, commissioner of the city Department of Investigation, compared investigators' efforts to follow the money in the alleged scheme as akin to "tracking a ricocheting pinball, from contractor to subcontractor, to shell companies and foreign bank accounts, and, eventually, into the defendants' pockets."

During the probe, authorities have seized or frozen more than \$38 million from more than 120 accounts and safe deposit boxes.

46. Additionally, a June 29, 2011 *wNYC* article entitled, "CityTime Payroll Scandal a Cautionary Tale" reported the following:

Closing the city's \$600 million dollar budget gap was not without tough trade offs. A thousand workers will lose their jobs, and to save \$6 million dollars, the city will end its commitment to thousands of kids who had been promised college scholarships for keeping a B average. The shortfall that prompted the hard choices is roughly the same amount federal prosecutors say was involved in a massive case of contract fraud that has come to be shorthanded as CityTime. It's a cautionary tale of what can happen when the city drops the ball on oversight for just one of its 47,000 private contracts.

Preet Baharara, the U.S. Attorney for the Southern District of New York, did not sugarcoat his description of the CityTime scandal when describing it earlier this month to reporters.

"The crimes alleged in today's superseding indictment are truly jaw dropping," said Baharara. "They reveal one of the most elaborate and massive schemes to defraud the city ever charged." The city's Department of Investigation, led by Rose Gill Hearn, initiated the case and brought it to Baharara's office on the sprawling case.

The irony here is rich. "The massive scheme" started as an outsourced city contract to design a payroll system that would precisely track the hours worked by city employees. After a couple of false starts with other vendors, defense contractor Scientific Applications International Corporation was awarded the job in a no-bid contract by the Giuliani Administration.

Under Mayor Bloomberg, the contract ballooned from \$63 million where it had started out in the Giuliani years, to more than \$700 million. Federal prosecutors now say at least \$600 million of that was "tainted." At every level, federal prosecutors allege grafters had honeycombed CityTime in to a paragon of corruption.

1 "Between 2003 and 2010, the CityTime payroll project served as a vehicle for an
2 unprecedented fraud, which appears to have metastasized over time," said
Baharara.

3 The prime contractor was the defense contractor Scientific Applications
4 International Corporation. The city's contract database notes SAIC has been the
5 subject of "multiple investigations by the Department of Defense, the U.S.
6 Department of Justice, NASA and the General Services Administration." Citing
the criminal probe, SAIC had no comment for this story.

7 Back in 2005, prosecutors say SAIC got a whistleblower tip about company
8 employee Gerald Denault, SAIC's CityTime manager, saying Denault was
9 deliberately slowing down the project and raised the possibility he was taking
kickbacks from subcontractors. Prosecutors say SAIC took a look for five
months but found no evidence of wrongdoing.

10 Meanwhile, Denault continued on an upward corporate trajectory.

11 "Gerald Denault allegedly used his authority at SAIC to cause consultants to be
12 hired at inflated rates, to artificially delay the implementation of the project, and
13 to approve work orders for staffing increases that were not necessary," said
Baharara.

14 Official oversight for this project rested with a three-person panel including
15 Mayor Bloomberg's Budget Director Mark Page, a representative for then
16 Comptroller Bill Thompson, and Joel Bondy, who led the Office of Payroll
17 Administration up until he was fired after the first indictments came down last
18 year. Despite this oversight, Attorney Baharara says the private contractors and
19 consultants were able to manipulate the terms of their contracts and inflate the
costs eleven times its original estimate. Bondy and Page declined to comment for
this story.

20 "Because of their efforts, the contract went from a fixed-price contract to a fixed-
21 price level of effort contract. What that meant is that from then on, it would be
22 the city - not SAIC - that would become largely responsible for future cost
23 overruns. What followed as described in the indictment was a dramatic
acceleration in costs with the city on the hook for all of it," explained Baharara.

24 What prosecutors have yet to publicly discuss is the role played by former city
25 officials from both the Giuliani and Bloomberg administrations that acted as
26 lobbyists on behalf of SAIC and subcontractors such as New Jersey-based
Technodyne.

27 This month Technodyne, and its husband-and-wife ownership team of Padma
28 and Reedy Allen, were indicted for their role in the conspiracy that netted

1 Technodyne \$450 million dollars of city funds via SAIC. Prosecutors contend it
2 was 80 percent of Technodyne's business.

3 The city's lobbying database shows a small army of former prominent city
4 officials who did work for SAIC and Technodyne. Defense contractor SAIC has
5 retained former City Comptroller Liz Holtzman, Peter Powers, who served as
6 Mayor Giuliani's top deputy Mayor for operations, and Seth Kaye, who worked
7 in both the Giuliani and Bloomberg administrations. Technodyne's lobbyists
8 include former Bloomberg Department of Information Technology and
9 Telecommunications Commissioner Gino Menchini and Agostino Cangemi, who
10 also held key posts in both administrations.

11 National Strategies, the lobbying firm that employs Menchini and Cangemi, says
12 the firm had no role in CityTime and discontinued working "on general business
13 procurement" for Technodyne as soon as the criminal allegations surfaced.
14 (Another Technodyne lobbyist of record, Sal Salamone, was director of the
15 Mayor's Office of Computer Planning and has worked for SAIC.)

16 Watchdog group Common Cause Executive Director Susan Lerner says as the
17 city increasingly turns to outside contractors, these contractors turn to former city
18 employees as lobbyists to influence the contracts.

19 "Simultaneous with that shift, you get a massive explosion in lobbyists because
20 now you are not just lobbying on behalf of a company that does or doesn't want
21 certain regulation," she says. "Now you're lobbying on behalf of a company that
22 is looking at a job which could be \$400 million dollars worth of city money."

23 In December of last year, federal prosecutors and the DOI alleged initially that
24 another nest of fraudsters had exploited CityTime, walking away with more than
25 \$80 million dollars. They charged that "subject matter expert" Mark Mazer, who
26 was supposed to be monitoring the contract work on CityTime, had actually used
27 his position to orchestrate an international kickback scheme.

28 At the time, Mayor Bloomberg tasked Deputy Mayor for Operations Stephen
Goldsmith with evaluating the city's largest information technology contracts.
Goldsmith conceded that the city had erred in sub-contracting even the quality
assurance oversight of CityTime out to multiple layers of contractors. He vowed
to have city employees play a more active role in monitoring contracts and
conceded the migration of city officials into the world of contracting could be
problematic.

"If a revolving door means you have city employees on the contractor side at
higher salaries, I think there is some evidence of that and we are concerned about
it," he told WNYC.

1 Meanwhile, Technodyne founders Reedy and Padma Allen have yet to be taken
2 into custody. They are facing multiple counts of bribery and corruption on their
3 450 million share of the CityTime money. But finding them will be a challenge.
4 City lobbying records list one of Technodyne's addresses as 576 Valley Road, a
5 UPS mailbox in Wayne, New Jersey.

6 "They rented one of my big postal boxes, says Mr. Choi who owns the Wayne
7 UPS Store. "I have not seen them for awhile but they are paid up through July."
8 Prosecutors claim the Allens are now in India.

9 City Comptroller John Liu announced today that he is freezing \$42 million of
10 money left to be paid to SAIC pending the outcome of the federal investigation.
11 And Liu joined the Financial Information Services Agency board of directors
12 in approving a plan to transition management of payroll system away from
13 outside contractors to city workers.

14 "This transition is possible because of the significant progress achieved due to
15 the new paradigm we established in September forcing the project on the right
16 track at no further expense to taxpayers to build the system," Liu said in a
17 statement. "As we move forward, it is my hope that the city will be able to
18 recoup every dollar stolen from taxpayers, and that the administration will
19 continue to cut down on the use of outside consultants."

20 47. An October 25, 2011 *Washington Technology.com* article entitled, "SAIC sacks
21 3 execs in wake of CityTime scandal probe" also reported the following:

22 Science Applications International Inc. has fired three key executives for alleged
23 failures of proper management during the CityTime kickback scheme in New
24 York City.

25 In an Oct. 24 memo to all employees, SAIC CEO Walt Havenstein said, "The
26 kind of behavior we have seen in CityTime is criminal and is an affront to
27 everything SAIC stands for as a company."

28 "That's why the actions of those involved are so appalling to me and to all of us
at the company," he added.

The CityTime project, launched in 1998, was designed to update and streamline
municipal employee records. But investigations by prosecutors, following a
whistleblower's tip, showed CityTime to be an international conspiracy with
contractors earning kickbacks for inflated hours billed to the city. Two of those
indicted have fled the country.

A comprehensive review of the CityTime program, including a review of
management performance, concluded there were failures of management with

1 respect to the program and that certain management changes are essential,
2 Havenstein said.

3 “Consequently, Deborah Alderson, Defense Solutions Group president; John
4 Lord, deputy group president; and Peter Dube, general manager of the Enterprise
5 and Mission Solutions Business Unit, have been removed from their positions
6 and are no longer with the company,” the memo said.

7 On an interim basis, Thomas Baybrook, general manager of the Defense and
8 Maritime Solutions Business Unit, will act as group president; and Rick
9 Reynolds, currently deputy general manager of the Enterprise and Mission
10 Solutions Business Unit, will serve as general manager of that business unit.

11 New York Mayor Michael Bloomberg has called for SAIC to repay the city more
12 than \$600 million spent on the project.

13 In his memo to employees Havenstein said, “SAIC developed and delivered the
14 customized, one-of-a-kind workforce management system that is CityTime
15 covering 163,000 city employees. It is fully implemented, delivering results, and
16 saving time and money for New York City today.”

17 At least 11 people have been indicted so far, including Carl Bell, the project’s
18 main systems engineer.

19 Bell was fired by SAIC in January. He pled guilty in June and in a plea
20 agreement with federal prosecutors is cooperating with the ongoing
21 investigation.

22 SAIC project manager Gerard Denault was indicted in June.

23 Havenstein said SAIC is aware of no evidence that the three executives who
24 were fired had any personal involvement in the fraud, “and while each has made
25 valuable contributions to SAIC, we must maintain the highest standards for all of
26 our employees and for our industry, beginning with our management team.”

27 48. Similarly, an October 31, 2011 *DefenseMediaNetwork.com* article entitled,
28 “SAIC Fires Three Key Executives in IT Scandal” reported the following:

Like many other large American corporations, defense contractor SAIC has placed a lot of emphasis on ethical business conduct as a series of corporate scandals have made front-page news in recent years.

Indeed, the company trumpeted the release last year of its Corporate Responsibility Report, a copy of which is posted on SAIC’s website.

1 As it turns out, not all of the company's managers appear to have agreed with the
2 report's conclusion that "We believe high ethical standards are essential to the
achievement of our individual and corporate goals."

3 SAIC recently fired three senior executives, two of them related to defense
4 operations, as part of a scandal involving alleged kickbacks at a New York city
5 information technology project begun in 1998 that is hundreds of millions of
dollars over budget.

6 The CityTime project also has led to several criminal charges; nearly a dozen
7 individuals have been indicted to date. These include SAIC project manager
8 Gerard Denault, indicted in June, and Carl Bell, the New York project's main
9 systems engineer. Fired last January, Bell pled guilty in June and is cooperating
with federal prosecutors.

10 In a blunt memo to employees, CEO Walt Havenstein said he had dismissed
11 Deborah Alderson, Defense Solutions Group president; John Lord, deputy group
12 president; and Peter Lord, general manager of the Enterprise and Mission
Solutions Business Unit. The company announced earlier in October that
Havenstein would be retiring.

13 "The kind of behavior we have seen in CityTime is criminal and is an affront to
14 everything SAIC stands for as a company," Havenstein said. "SAIC has a long
15 and proud history, with an outstanding reputation for integrity and strong ethical
16 business practices. That's why the actions of those involved are so appalling to
me and to all of us at the company."

17 But the CEO also noted SAIC has no evidence linking the three fired executives
18 to any CityTime fraud.

19 "While each has made valuable contributions to SAIC," he continued in his
20 memo, "we must maintain the highest standards for all of our employees and for
our industry, beginning with our management team."

21 The firings come at a time when big American companies and Wall Street have
22 come under more intense scrutiny for ethical conduct. Federal prosecutors in
23 recent months have won several high-profile insider trading convictions that
24 drew lengthy sentences, and protestors in the Occupy Wall Street movement
have railed against alleged "corporate greed."

25 SAIC finds itself engulfed in this larger pattern because of its involvement in the
26 controversial and scandal-plagued CityTime IT program. Prosecutors allege
27 CityTime became an international conspiracy in which lead contractors earned
28 kickbacks for hours worked by consultants that resulted in unneeded staff and
inflated hours billed to the city.

1 Begun 13 years ago, the CityTime payroll project covering more than 160,000
2 municipal workers was originally supposed to cost just \$63 million. It has since
3 ballooned to a cost of roughly 10 times that amount.

4 In light of the indictments, executive firings and federal investigation, New York
5 Mayor Michael Bloomberg said he wants SAIC to repay more than \$600 million.

6 But despite the dismissals and public recriminations, Havenstein indicated he
7 intends to take a hard line with Bloomberg's financial demands. In his memo to
8 employees, Havenstein noted SAIC had delivered a customized management
9 system that works well and is saving money for the citizens of New York.

10 Meanwhile, Havenstein said SAIC is "building vigorous safeguards against such
11 behavior in the future." Key to those are the CEO's decision to hire the
12 prominent Gibson Dunn law firm to conduct a thorough analysis of key SAIC
13 policies and practices.

14 The lawyers also expected to recommend changes to strengthen what Havenstein
15 said is SAIC's "culture of ethics, accountability, and compliance."

16 49. On December 8, 2011, SAIC filed its quarterly report for the period ended
17 October 31, 2011. Within its Form 10-Q, the Company announced the following:

18 ***Timekeeping Contract with City of New York***

19 Since 2000, the Company has performed under a systems development and
20 implementation contract relating to an automated time and attendance and
21 workforce management system (CityTime) for certain agencies of the City of
22 New York (City). The Company has billed approximately \$635 million under
23 the contract, which was completed on June 30, 2011.

24 The U.S. Attorney's Office for the Southern District of New York is conducting
25 a criminal investigation relating to the CityTime program. In December 2010,
26 the U.S. Attorney's Office filed a criminal complaint against six individuals
27 who were either employees of the quality assurance vendor that was under a
28 direct contract with the New York City Office of Payroll Administration, or
were principals of staffing firms that provided staff to the CityTime program as
second-tier subcontractors to the Company, or were otherwise relatives of those
individuals. On February 10, 2011, a federal grand jury indicted four of the
individuals and added another individual defendant. On May 27, 2011, a
criminal complaint was filed against a former Company employee who was the
program manager on the CityTime contract. The complaint alleged that this
former program manager conspired to defraud the City into extending the
duration of and overpaying for the CityTime project in order to generate
kickbacks for himself. It also alleged that he defrauded the Company by

1 depriving it of his honest services, and charged him with money laundering to
2 conceal proceeds of the fraudulent schemes.

3 On June 15, 2011, a federal grand jury in the Southern District of New York
4 filed an indictment that superseded the February 2011 indictment naming the
5 original defendants and charging the former Company program manager with
6 violating various federal statutes relating to the alleged kickback scheme,
7 including charges of conspiracy, wire fraud against the City of New York,
8 honest services fraud against the Company and obstruction of justice. The
9 indictment alleged that the former Company program manager received
10 kickbacks totaling at least \$9 million from the primary subcontractor,
11 Technodyne LLC, and other second-tier subcontractors. Technodyne and its
12 principals were also charged in the June 2011 indictment. Another former
13 Company employee, a chief systems engineer, pleaded guilty in June 2011 to
14 multiple criminal charges related to the same fraudulent scheme and admitted
15 to taking at least \$5 million in kickbacks from the primary subcontractor,
16 Technodyne. The fraudulent scheme described in the June 2011 indictment
17 alleges that individuals from the Company (the former program manager and
18 the former chief systems engineer), Technodyne, the second-tier subcontractors
19 and others collaborated to defraud the City by overbilling and inflating the
20 price paid by the City under the contract, all to illegally enrich themselves. In
21 addition, although the Company is not charged in the June 2011 indictment, the
22 indictment also alleges that the Company paid to Technodyne hundreds of
23 millions of dollars under the contract after receiving an internal complaint
24 raising suspicions of kickbacks from Technodyne to the former program
25 manager. The Company is continuing to cooperate with the U.S. Attorney's
26 investigation but cannot predict its outcome

27 Statements have been issued from the City's Office of the Mayor and Office of
28 the Comptroller indicating that the City's Department of Investigation would
conduct a more extensive investigation regarding the CityTime contract, and
that the City would withhold payment of amounts owing to the Company until
the investigation was complete. In addition, these statements have also
indicated that the City intends to pursue the recovery of costs associated with
the CityTime program that the City's investigation reveals were improperly
charged to the City. On June 29, 2011, the Company received a letter from
New York City Mayor Michael Bloomberg, which requests that the Company
reimburse the City for approximately \$600 million paid by the City to the
Company for CityTime and the cost of investigating and remediating the
CityTime program.

After a comprehensive review of the CityTime program, including a review of
management performance, a Group President, a Deputy Group President and a
Business Unit General Manager responsible for management and oversight on
the CityTime program were removed from their positions and are no longer
with the Company. The Company is not aware of any evidence that these

1 individuals had any personal involvement in the fraud in the CityTime
2 program. The Company has engaged an outside law firm to undertake a review
3 of key policies and practices in the Company and to recommend changes to
4 strengthen the Company's culture of ethics, accountability, and compliance. In
5 addition, a Special Committee of the Board of Directors that is overseeing the
6 Company's response to CityTime has engaged an independent company to
7 undertake its own review and monitor the efforts the Company is making in
8 response to this matter.

9 The Company believes that a loss related to the outcome of the CityTime
10 investigations is probable. Based on developments relating to the CityTime
11 investigations, the Company now estimates that its loss will be at least \$232
12 million and has recorded a loss provision of that amount as of October 31,
13 2011, consisting of a \$52 million reduction in revenue and a \$180 million
14 charge to selling, general and administrative expenses. An additional loss is
15 reasonably possible, but an estimate of the maximum amount of such loss
16 currently cannot be estimated given that no legal proceedings have been filed
17 against the Company and the investigations are ongoing and involve complex
18 matters with third parties outside the control of the Company. Accordingly, the
19 outcome of these investigations may result in additional damages and penalties,
20 and criminal fines, restitution and other remedies, including suspension or
21 debarment from government contracting, any of which could have a material
22 adverse effect on the Company's consolidated financial position, results of
23 operations and cash flows.

24 50. Throughout the Relevant Period, the Individual Defendants reviewed the
25 Company's public statements and SEC filings related to the financial condition of the Company.
26 These public statements failed to reveal the losses that the Company would incur because of the
27 wrongdoing alleged herein. Indeed, the Individual Defendants knew, or were reckless in not
28 knowing, that the wrongdoing alleged herein would adversely affect SAIC's financial condition.
As a result of the foregoing misconduct, the Individual Defendants have breached their
fiduciary duties to the Company and have subjected the Company to hundreds of millions of
dollars in losses, adverse publicity, additional costs and potential fines, and other occurrences
harmful to the Company.

DERIVATIVE AND DEMAND EXCUSED ALLEGATIONS

51. Plaintiff brings this action derivatively in the right, and for the benefit, of the Company to redress injuries suffered, and to be suffered, by the Company as a direct result of the breaches of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets and unjust enrichment, as well as the aiding and abetting thereof, by the Individual Defendants. The Company is named as a nominal defendant solely in a derivative capacity. This is not a collusive action to confer jurisdiction in this Court that it would not otherwise have.

52. Plaintiff will adequately and fairly represent the interests of the Company and its shareholders in enforcing and prosecuting its rights.

53. Plaintiff is the owner of SAIC common stock and was the owner of SAIC common stock at all times relevant to the Individual Defendants' wrongful course of conduct alleged herein.

54. At the time that this action was commenced, the Company's Board consisted of the following directors: defendants Havenstein, Young, Córdova, Drummond, Frist, Hamre, John, Jones, Jumper, Kraemer, Nussdorf, Sanderson, and Simpson.

55. As a result of the facts set forth herein, plaintiff has not made any demand on the Company's Board to institute this action against the Individual Defendants. Such demand would be a futile and useless act with respect to each and every one of the Individual Defendants because they are incapable of making an independent and disinterested decision to institute and vigorously prosecute this action for the following reasons:

1 a. As the Company's CEO, defendant Havenstein is not an independent
2 director capable of impartially considering a demand to commence and vigorously prosecute
3 this action;

4 b. Additionally, defendant Havenstein lacks independence from defendants
5 Córdova, John, Kraemer, and Sanderson as they are defendants who are not disinterested and/or
6 independent and who exert influence over the compensation for defendant Havenstein by virtue
7 of their positions as members of the Human Resources and Compensation Committee. The
8 Human Resources and Compensation Committee annually reviews and approves corporate
9 goals and objectives relevant to the compensation for defendant Havenstein, evaluates
10 performance in light of those goals and objectives, and approves a level of compensation based
11 upon these evaluations. This lack of independence renders these defendants incapable of
12 impartially considering a demand to commence and vigorously prosecute this action;

13 c. Defendants face a substantial likelihood of being held liable for breaching
14 their fiduciary duties of loyalty and good faith as alleged herein, and are therefore incapable of
15 disinterestedly and independently considering a demand to commence and vigorously prosecute
16 this action;

17 d. The Company's non-employee directors have received, and continue to
18 receive, substantial compensation in the form of cash and stock option awards. These
19 defendants are interested in maintaining their positions on the Board so as to safeguard their
20 substantial compensation and stock options. The following chart illustrates the substantial
21 compensation that these directors have received, which demonstrates that demand upon such
22 individuals would be futile:
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2011 DIRECTOR COMPENSATION				
DIRECTOR	FEES EARNED OR PAID IN CASH	STOCK AWARDS	OPTION AWARDS	TOTAL
France A. Córdova	\$100,000	\$100,008	\$50,001	\$250,009
Jere A. Drummond	\$108,000	\$100,008	\$50,001	\$258,009
Thomas F. Frist, III	\$112,000	\$100,008	\$50,001	\$262,009
John J. Hamre	\$104,000	\$100,008	\$50,001	\$254,009
Miriam E. John	\$104,000	\$100,008	\$50,001	\$254,009
Anita K. Jones	\$110,000	\$100,008	\$50,001	\$260,009
John P. Jumper	\$90,000	\$100,008	\$50,001	\$240,009
Harry M.J. Kraemer, Jr.	\$127,000	\$100,008	\$50,001	\$277,009
Lawrence C. Nussdorf	\$39,000	\$100,001	\$49,999	\$189,000
Edward J. Sanderson, Jr.	\$124,000	\$100,008	\$50,001	\$274,009
Louis A. Simpson	\$116,000	\$100,008	\$50,001	\$266,009
A. Thomas Young	\$232,250	\$100,008	\$50,001	\$382,259

e. The entire Board and senior management participated in the wrongs complained of herein. For the reasons described herein, the Company's directors are not disinterested or independent. Pursuant to their specific duties as Board members, each was charged with the management of the Company and the conduct of its business affairs. Each of the above referenced defendants breached the fiduciary duties they owed to the Company and its shareholders in that they failed to prevent and correct the dissemination of the Company's false and misleading statements. Thus, the Board cannot exercise independent objective judgment in deciding whether to bring this action or whether to vigorously prosecute this action because its members are interested personally in the outcome since their actions have subjected the Company to millions of dollars in potential liability for violations of applicable securities laws;

1 f. Defendant Havenstein certified certain of the Company's SEC filings.
 2 Accordingly, demand is futile as Havenstein faces a substantial likelihood of liability for breach
 3 of fiduciary duties owed to the Company;

4 g. Defendants Frist, Jones, Jumper, Kraemer, and Nussdorf were aware of
 5 the Company's ongoing unlawful and improper business practices and the dissemination of
 6 materially false and misleading statements and, yet, still permitted the Company to portray to
 7 the public the Company's false and misleading information despite their heightened fiduciary
 8 obligations as members of the Company's Audit Committee. Specifically, the Company's
 9 Audit Committee Charter provides the following:
 10

11 The purpose of the Audit Committee (the "Committee") is to assist the Board
 12 of Directors (the "Board") in its oversight of: (i) the integrity of the Company's
 13 financial statements, including the financial reporting process, system of
 14 internal control over financial reporting and audit process; (ii) compliance by
 15 the Company with legal and regulatory requirements; (iii) the independent
 16 registered public accountants' qualifications and independence; (iv) the
 17 performance of the Company's internal audit function and independent
 18 registered public accountants; (v) financial reporting risk assessment and
 19 mitigation; (vi) the Company's systems of disclosure controls and procedures
 20 and internal controls over financial reporting; and (vii) the preparation of the
 21 report of the Committee to be included in the Company's annual proxy
 statement in accordance with the rules and regulations of the Securities and
 Exchange Commission (the "SEC"). In performing its duties, the Committee
 will maintain effective working relationships with and open communication
 between the Board, management, internal auditors and independent registered
 public accountants.

22 **Composition, Membership and Operation**

23 **Composition of Committee**

24 The Committee will be composed of three or more directors, none of whom
 25 may (i) as determined by the Board, have any relationship to the Company that
 26 may interfere with the exercise of his or her "independence" from management
 27 and the Company, as such term is defined in the Company's Corporate
 28 Governance Guidelines; (ii) accept directly or indirectly any consulting,
 advisory or other compensatory fee from the Company or any subsidiary other
 than in his or her capacity as a director, a member of the Committee or a

1 member of any other Board committee; or (iii) be an affiliated person of the
2 Company or any of its subsidiaries other than in his or her capacity as a
3 director or a member of the Committee or a member of any other Board
4 committee. All members of the Committee will be financially literate, or will
5 become financially literate within a reasonable period of time after appointment
6 to the Committee, and at least one member of the Committee will be an "audit
7 committee financial expert," as such term is defined under the rules of the SEC,
8 and shall have accounting or related financial management expertise, as the
9 Board interprets such qualification in its business judgment. Members of the
10 Committee, including the Committee Chair, shall be elected by the Board,
11 taking into account the recommendations of the Nominating and Corporate
12 Governance Committee, and members may be removed from the Committee by
13 the Board. Committee members shall not simultaneously serve on the audit
14 committees of more than two other public companies unless the Board
15 determines that such simultaneous service would not impair the ability of such
16 member to effectively serve on the Committee and discloses such
17 determination in the Company's annual proxy statement.

12 **Operation of Committee**

13 A majority of the members of the Committee shall constitute a quorum for
14 doing business. All actions of the Committee shall be taken by a majority vote
15 of the members of the Committee present at a meeting at which a quorum is
16 present or by unanimous written consent. The Committee Chair shall be
17 responsible for leadership of the Committee, including preparation of meeting
18 agendas. The Committee may, at its discretion, delegate such of its authority
19 and responsibilities as the Committee deems proper to members of the
20 Committee or a subcommittee.

18 **Meetings**

19 The Committee will have regularly scheduled meetings each year, with
20 additional meetings to be held as circumstances require. The Committee will
21 keep minutes of its meetings, and the Committee Chair will regularly report to
22 the Board on its activities, making recommendations as appropriate, including
23 the Committee's conclusions with respect to the qualifications, performance
24 and independence of the independent registered public accountants, and will
25 review with the Board any issues that arise with respect to the quality or
26 integrity of the Company's financial statements, its compliance with legal or
27 regulatory requirements, the performance and independence of the independent
28 registered public accountants or the performance of the internal audit function.

26 **Duties and Responsibilities**

27 The Committee's job is one of oversight and it recognizes that the Company's
28 management is responsible for the preparation and certification of the

1 Company's financial statements and that the independent registered public
 2 accountants are responsible for auditing those financial statements.
 3 Additionally, the Committee recognizes that financial management, including
 4 the internal audit staff, and the independent registered public accountants, have
 5 more time, knowledge, and detailed information on the Company than do
 6 Committee members. Consequently, in carrying out its oversight
 7 responsibilities, the Committee is not providing any expert or special assurance
 8 as to the Company's financial statements or any professional certification as to
 9 the independent registered public accountants' work.

7 The following functions shall be the common recurring activities of the
 8 Committee, and are set forth as a guide with the understanding that the
 9 Committee may diverge from this guide as appropriate given the
 10 circumstances, other than as may be required by any rules of the SEC or any
 11 national securities exchange on which shares of the Company are listed.

10 **Internal Controls and Disclosure Controls**

11 Review and provide feedback as deemed appropriate on (i) the assessment
 12 performed by management on internal control over financial reporting for
 13 inclusion in the Company's Annual Report on Form 10-K with respect to
 14 quality, adequacy, and effectiveness of the Company's internal control structure
 15 and procedures for financial reporting; and (ii) the report and attestation of the
 16 independent registered public accountants regarding the Company's internal
 17 control over financial reporting.

16 Discuss with the independent registered public accountants, the internal auditor
 17 and management, on a quarterly basis, the Company's internal control over
 18 financial reporting and any fraud involving management or others with a
 19 significant role in the internal controls; review any major issues as to the
 20 adequacy of the Company's internal control over financial reporting and any
 21 special audit steps adopted in light of material control deficiencies; receive
 22 recommendations for the improvement of such control; and review whether any
 23 such previously approved recommendations have been implemented and any
 24 other significant changes in internal control over financial reporting have been
 25 made since the last evaluation.

23 Receive and review any disclosure from the Company's Chief Executive
 24 Officer or Chief Financial Officer made in connection with the certification of
 25 the Company's quarterly and annual reports filed with the SEC of (a)
 26 significant deficiencies and material weaknesses in the design or operation of
 27 internal control over financial reporting which are reasonably likely to
 28 adversely affect the Company's ability to record, process, summarize, and
 report financial data, and (b) any fraud, whether or not material, that involves
 management or other employees who have a significant role in the Company's
 internal controls.

1 Review the disclosure controls and procedures of the Company designed to
2 ensure timely collection and evaluation of information required to be disclosed
in the Company's filings with the SEC or posted on the Company's website.

3 Review the independent registered public accountants' procedures and
4 management of the audit relating to internal control over financial reporting.

5 **Independent Audit**

6 Retain an independent registered public accounting firm for the purpose of
7 preparing or issuing an audit report on the consolidated financial statements of
8 the Company and performing other audit, review or attest services; preapprove
9 the compensation and fees to be paid to the independent registered public
10 accountants; preapprove all audit and non-audit services to be performed by the
11 independent registered public accountants in advance and evaluate the
12 qualifications, performance and independence of the independent registered
13 public accountants. The Committee shall have sole authority and responsibility
14 to appoint, evaluate and, where appropriate, replace the independent registered
15 public accountants and/or the lead audit partner, and the independent registered
16 public accountants shall be ultimately accountable to and report to the
17 Committee. The Committee shall oversee the work of the independent
registered public accountants (including resolution of any disagreements
14 between management and the independent registered public accountants
regarding financial reporting). The Committee Chair shall have authority to
15 preapprove audit and non-audit services provided by the independent registered
16 public accountants as necessary between regular meetings of the Committee;
provided that any such services so preapproved shall be disclosed to the full
17 Committee at its next scheduled meeting.

18 Ensure the objectivity of the independent registered public accountants by
19 reviewing and discussing all relationships between the independent registered
20 public accountants and the Company and its affiliates, including: (i) requesting,
21 receiving, and reviewing, on an annual basis, a formal written statement from
the independent registered public accountants under applicable professional
22 standards that delineates all relationships which may reasonably be thought to
bear on the independence of the independent registered public accountants with
23 respect to the Company in accordance with professional standards governing
such independence; (ii) discussing with the independent registered public
24 accountants any disclosed relationships or services that may impact the
objectivity and independence of the independent registered public accountants;
25 (iii) taking appropriate action in response to the independent registered public
accountants' report; and (iv) establishing clear policies regarding the
26 employment of current or former employees of the independent registered
27 public accountants.

1 Obtain and review, at least annually, a report by the independent registered
2 public accountants that describes (i) the independent registered public
3 accountants' internal quality-control procedures; (ii) any material issues raised
4 by the most recent internal quality-control procedures; (iii) any material issues
5 raised by the most recent internal quality control review, or peer review, of the
6 independent registered public accountants, or by any inquiry or investigation
7 by governmental or professional authorities within the preceding five years,
8 respecting one or more independent audits carried out by the independent
9 registered public accountants, and any steps taken to address any such issues.

10 Meet separately and on a periodic basis with the independent registered public
11 accountants and management to review the proposed audit scope and
12 procedures to be utilized.

13 At the conclusion of each annual audit, review with the independent registered
14 public accountants any audit problems or difficulties and management's
15 response, including any difficulties encountered in the course of the audit work;
16 any restrictions on the scope of the independent registered public accountants'
17 activities or on access to requested information; any significant disagreements
18 with management; any accounting adjustments that were noted or proposed by
19 the independent registered public accountants but were not recorded by the
20 Company (as immaterial or otherwise); any communications between the audit
21 team and the national office respecting any significant auditing or accounting
22 issues presented in the engagement; and any management or internal control
23 letter issued, or proposed to be issued, by the independent registered public
24 accountants to the Company in connection with the audit and any other
25 comments or recommendations made by the independent registered public
26 accountants; and such matters related to the conduct of the audit that are to be
27 communicated to the Committee under generally accepted auditing standards.

28 Review (i) all critical accounting policies and practices to be used; (ii) major
issues regarding accounting principles and financial statement presentations,
including any significant changes in the Company's selection or application of
accounting principles; (iii) analyses prepared by management and/or the
independent registered public accountants setting forth significant financial
reporting issues and judgments made in connection with the preparation of the
financial statements, including each alternative treatment of financial
information within GAAP that has been discussed with management and an
analyses of the effects of alternative GAAP methods on the financial
statements; (iv) the effect of regulatory and accounting initiatives, as well as
off-balance sheet structures, on the financial statements; and (v) other material
written communications between the independent registered public accountants
and management.

Internal Audit

Periodically review the qualifications, organizational structure and performance of the internal audit function and annually review the Internal Audit Department's charter. Give prior approval to any decision to appoint, replace, reassign, or dismiss the Director of the Company's Internal Audit Department. The Committee, through its Chair, shall also be required to concur in the total compensation being provided to the Director of the Internal Audit Department and sign off on his/her annual performance appraisal.

Review and approve on an annual basis the three year audit plan of the Internal Audit Department (the "internal audit plan"), which plan should be designed to systematically focus on the Company's risks and vulnerabilities.

Review and update on an annual basis the internal audit plan, including the independence and authority of the internal auditor's reporting obligations, the adequacy of internal audit resources, and the coordination and completeness of coverage between the internal auditors and independent registered public accountants.

Periodically review, with the Director of the Internal Audit Department, any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the Internal Audit Department's work.

Receive periodic summaries of findings from completed internal audits and, as appropriate, the status of major audits in process. Receive progress reports on the completion of the current year's internal audit plan, including explanations for any significant deviations from the plan.

Receive timely notification of any issues or concerns identified during the course of internal audits.

Review and discuss with the independent registered public accountants, or others as appropriate, the responsibilities, budget and staffing of the Company's internal audit function.

Financial Reporting

Review and discuss with management and the independent registered public accountants the Company's annual audited consolidated financial statements that will be contained in its Annual Report to Stockholders and Form 10-K, including a review of the specific disclosures under "Managements Discussion and Analysis of Financial Condition and Results of Operations." Based on such review, recommend to the Board, in a written report to be included in the Company's proxy statement, whether the consolidated financial statements of the Company should be included in its Annual Report on Form 10-K.

1 Review and discuss with management, the independent registered public
2 accountants and the internal auditor the quarterly consolidated financial
3 statements of the Company, including a review of the specific disclosures
4 under "Managements Discussion and Analysis of Financial Condition and
5 Results of Operations," and the results of the independent registered public
6 accountants' review of those statements. This review shall occur prior to the
7 Company's filing of each Form 10-Q with the SEC.

8 Discuss with the independent registered public accountants the auditor's
9 judgments about the quality and not just the acceptability of accounting
10 principles used to prepare the Company's consolidated financial statements.
11 Review the impact on the annual financial statements of any significant
12 accounting and reporting issues, including recent professional and regulatory
13 pronouncements and any newly adopted or proposed changes in accounting
14 principles that would significantly affect the Company or its consolidated
15 financial statements.

16 Review the Company's responses to investigations of the SEC or any national
17 securities exchange on which shares of the Company are listed.

18 Review the type of information to be disclosed in, and type of presentation of,
19 the Company's earnings press releases (paying particular attention to any use of
20 "proforma" or "adjusted" non-GAAP information), discuss the earnings press
21 releases and review any financial information and earnings guidance provided
22 to analysts and rating agencies.

23 **Ethical and Legal Compliance**

24 Review the effectiveness of the Company's system for monitoring compliance
25 with laws and regulations, including receiving reports from management on the
26 results of management's review of compliance with the Company's policies and
27 any investigations by management related to fraudulent acts or irregularities.

28 Establish procedures for the receipt, retention and treatment of complaints
(including procedures for receiving and handling complaints on a confidential
and anonymous basis) regarding accounting, internal accounting controls or
auditing matters, including employee concerns regarding questionable
accounting or auditing matters.

Other Responsibilities

Meet separately, periodically, with the internal auditor and with the
independent registered public accountants to discuss any matters that the
internal auditors, the independent registered public accountants or the
Committee believe should be discussed privately without members of
management present.

1 Meet separately, periodically, with management of the Company to discuss any
2 matters management or the Committee believe should be discussed privately
3 without the internal auditor or the independent registered public accountants
4 present.

5 Review and discuss the adequacy of the Audit Committee Charter on an annual
6 basis or more frequently upon changes to the membership of the Committee or
7 as otherwise needed.

8 Discuss and evaluate the Company's guidelines and policies regarding risk
9 assessment and risk management, including risks related to internal control
10 over financial reporting, and discuss the Company's major financial risk
11 exposures and the steps management has taken to monitor and control such
12 exposures.

13 Review with the Company's counsel the litigation, government investigation
14 and legal compliance matters involving the Company that could have a
15 significant impact on the Company's financial statements.

16 **Committee Self-Evaluation**

17 Conduct an annual self-evaluation of the performance of the Committee and
18 report the results of the evaluation to the Board.

19 **Advisors**

20 The Committee shall have the authority to retain and obtain advice and
21 assistance from independent legal, accounting or other advisors as it deems
22 necessary to carry out its duties, without seeking Board or management
23 approval. The Committee shall have the authority to approve such advisor's
24 fees, expenses and the other terms of its retention. The Committee is authorized
25 to cause the officers of the Company to provide such funding as the Committee
26 shall determine to be appropriate for payment of compensation to the
27 Company's independent registered public accountants and any advisers
28 engaged by the Committee, and payment of ordinary administrative expenses
of the Committee that are necessary or appropriate in carrying out its duties.

29 **Additional Duties and Responsibilities**

30 The Committee shall undertake such additional duties and responsibilities as
31 the Board may from time to time prescribe.

32 As such, defendants Frist, Jones, Jumper, Kraemer, and Nussdorf breached their fiduciary duties
33 of loyalty and good faith to the Company. Additionally, the failure of these defendants to

1 perform their duties as members of the Audit Committee with loyalty and in good faith raises a
2 substantial likelihood of non-exculpated personal liability on their part. As a result, defendants
3 Frist, Jones, Jumper, Kraemer, and Nussdorf cannot impartially consider a demand on the Board
4 to commence litigation against themselves;

5 h. Each of the key officers and directors knew of and/or directly benefited
6 from the wrongdoing complained of herein thereby rendering demand futile;

7 i. The Individual Defendants approved and/or permitted the wrongs alleged
8 herein to have occurred and participated in efforts to conceal or disguise those wrongs from the
9 Company's stockholders or recklessly and/or negligently disregarded the wrongs complained of
10 herein, and are therefore not disinterested parties;

11 j. In order to bring this suit, all of the Company's directors would be forced
12 to sue themselves and persons with whom they have extensive business and personal
13 entanglements, which they will not do, thereby excusing demand;

14 k. The acts complained of constitute violations of the fiduciary duties owed
15 by the Company's officers and directors and these acts are incapable of ratification;

16 l. Each of the Individual Defendants authorized and/or permitted the false
17 statements disseminated directly to the public and which were made available and distributed to
18 shareholders, authorized and/or permitted the issuance of various of the false and misleading
19 statements, and are principal beneficiaries of the wrongdoing alleged herein, and thus could not
20 fairly and fully prosecute such a suit even if they instituted it;

21 m. Any suit by the Company's current directors to remedy these wrongs
22 would likely expose the Individual Defendants and the Company to further violations of the
23 securities laws that would result in civil actions being filed against one or more of the Individual
24

1 Defendants; thus, the Individual Defendants are hopelessly conflicted in making any supposedly
2 independent determination whether to sue themselves; and

3 n. The Company has been, and will continue to be, exposed to significant
4 losses due to the wrongdoing complained of herein, yet the Individual Defendants have not
5 filed any lawsuits against themselves or others who were responsible for that wrongful conduct
6 to attempt to recover for the Company any part of the damages that the Company suffered and
7 will suffer thereby.
8

9 56. Moreover, despite the Individual Defendants having knowledge of the claims
10 and causes of action raised by plaintiff, the current Board has failed and refused to seek to
11 recover for the Company for any of the wrongdoing alleged by plaintiff herein.
12

13 57. Plaintiff, moreover, has not made any demand on shareholders of the Company
14 to institute this action since demand would be a futile and useless act for the following reasons:
15 (1) SAIC is a publicly held company, with over 341 million shares outstanding and thousands of
16 shareholders; (2) making demand on such a number of shareholders would be impossible for
17 plaintiff who has no way of determining the names, addresses, or phone numbers of
18 shareholders; and (3) making demand on all shareholders would force plaintiff to incur huge
19 expenses, assuming all shareholders could be individually identified.
20

21 58. Furthermore, the conduct alleged herein could not have been the product of good
22 faith business judgment, and each of the Individual Defendants faces a substantial likelihood of
23 liability for breaching their fiduciary duties because, through their intentional misconduct, they
24 have subjected the Company to substantial damages.
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COUNT I
(AGAINST THE INDIVIDUAL DEFENDANTS FOR BREACH OF FIDUCIARY DUTY)

59. Plaintiff incorporates by reference each of the preceding paragraphs as though they were set forth in full herein.

60. The Individual Defendants owed a fiduciary duty to the Company to supervise the issuance of the Company's press releases and public filings to ensure that they were truthful and accurate and that such filings conformed to applicable securities laws. The Individual Defendants, however, breached their fiduciary duties by failing to properly supervise and monitor the adequacy of the Company's internal controls and by allowing the Company to issue and disseminate misleading statements and filings.

61. The Individual Defendants have engaged in a sustained and systematic failure to exercise their oversight responsibilities and to ensure that the Company complied with applicable laws, rules and regulations.

62. As members of the Board, the Individual Defendants were directly responsible for authorizing, permitting the authorization of, or failing to monitor the practices that resulted in violations of applicable laws as alleged herein. Each of the Individual Defendants had knowledge of, actively participated in, approved, and/or acquiesced in the wrongdoing alleged herein or abdicated his or her responsibilities with respect to this wrongdoing. The alleged acts of wrongdoing have subjected the Company to unreasonable risks of loss and expenses.

63. Each of the Individual Defendants' acts in causing or permitting the Company to disseminate material misrepresentations and omissions to the investing public and abdicating his or her oversight responsibilities to the Company have subjected the Company to liability for violations of applicable laws, and therefore were not the product of a valid exercise of business

1 judgment, constituting a complete abdication of their duties as officers and/or directors of the
2 Company.

3 **COUNT II**
4 **(AGAINST THE INDIVIDUAL DEFENDANTS FOR GROSS MISMANAGEMENT)**

5 64. Plaintiff incorporates by reference each of the preceding paragraphs as though
6 they were set forth in full herein.

7 65. The Individual Defendants had a duty to the Company and its shareholders to
8 prudently supervise, manage, and control the operations, business, and internal financial
9 accounting and disclosures of the Company. The Individual Defendants, however, by their
10 actions, and by engaging in the wrongdoing alleged herein, abandoned and abdicated their
11 responsibilities and duties with regard to prudently managing the business of the Company in a
12 manner consistent with the duties imposed upon them by law. By committing the misconduct
13 alleged herein, the Individual Defendants breached their duties of due care, diligence, and
14 candor in the management and administration of the Company's affairs and in the use and
15 preservation of the Company's assets.
16
17

18 66. During the course of the discharge of their duties, the Individual Defendants
19 were aware of the unreasonable risks and losses associated with their misconduct.
20 Nevertheless, the Individual Defendants caused the Company to engage in the scheme described
21 herein which they knew had an unreasonable risk of damage to the Company, thus breaching
22 their duties to the Company. As a result, the Individual Defendants grossly mismanaged the
23 Company, thereby causing damage to the Company.
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COUNT III
(AGAINST THE INDIVIDUAL DEFENDANTS FOR CONTRIBUTION AND
INDEMNIFICATION)

67. Plaintiff incorporates by reference each of the preceding paragraphs as though they were set forth in full herein.

68. The Company is alleged to be liable to various persons, entities and/or classes by virtue of the facts alleged herein that give rise to defendants' liability to the Company.

69. The Company's alleged liability on account of the wrongful acts, practices, and related misconduct alleged arises, in whole or in part, from the knowing, reckless, disloyal and/or bad faith acts or omissions of the Individual Defendants, and the Company is entitled to contribution and indemnification from each Individual Defendant in connection with all such claims that have been, are, or may in the future be asserted against the Company by virtue of the Individual Defendants' misconduct.

COUNT IV
(AGAINST THE INDIVIDUAL DEFENDANTS FOR ABUSE OF CONTROL)

70. Plaintiff incorporates by reference each of the preceding paragraphs as though they were set forth in full herein.

71. The Individual Defendants' conduct, as alleged herein, constituted an abuse of their control over the Company.

72. As a direct and proximate result of the Individual Defendants' abuse of control, the Company has suffered, and will continue to suffer, damages for which the Individual Defendants are liable. Plaintiff, moreover, has no adequate remedy at law.

COUNT V
(AGAINST THE INDIVIDUAL DEFENDANTS FOR
WASTE OF CORPORATE ASSETS)

73. Plaintiff incorporates by reference each of the preceding paragraphs as though they were set forth in full herein.

74. The Individual Defendants' conduct, as alleged herein, constituted a waste of the corporate assets of the Company.

75. As a direct and proximate result of the Individual Defendants' abuse of control, the Company has suffered, and will continue to suffer, damages for which the Individual Defendants are liable. Plaintiff, moreover, has no adequate remedy at law.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment as follows:

A. Against all of the Individual Defendants and in favor of the Company for the amount of damages sustained by the Company as a result of the Individual Defendants' breaches of fiduciary duties;

B. Awarding to plaintiff the costs and disbursements of the action, including reasonable attorneys' fees, accountants' and experts' fees, costs, and expenses; and

C. Granting such other and further relief as the Court deems just and proper.

//

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: February 10, 2012

GLANCY BINKOW & GOLDBERG LLP

By: s/ Lionel Z. Glancy

LIONEL Z. GLANCY

MICHAEL GOLDBERG

EX KANO S. SAMS II

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Facsimile: (215) 638-4867


Counsel for Plaintiff Edward Stellini

VERIFICATION

I, Edward Stellini, hereby verify and declare that I have reviewed the Shareholder Derivative Complaint ("Complaint") in this action. The allegations contained within the Complaint are true and correct to the best of my knowledge, information, and belief. I have also authorized the filing of this Complaint.

I declare under penalty of perjury that the foregoing is true and correct.

DATED: February 10, 2012


Edward Stellini

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

I. (a) PLAINTIFFS

Edward Stellini

(b) County of Residence of First Listed Plaintiff Greene County, Ohio
(EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorney's (Firm Name, Address, and Telephone Number)

Glancy Binkow & Goldberg LLP, 1925 Century Park East, Suite
2100, Los Angeles, CA 90067 (310) 201-9150

DEFENDANTS

SAIC, Inc.

County of Residence of First Listed Defendant San Diego
(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE
LAND INVOLVED.

Attorneys (If Known)

'12CV0373 W BLM**II. BASIS OF JURISDICTION** (Place an "X" in One Box Only)

- ☐ 1 U.S. Government Plaintiff
☐ 2 U.S. Government Defendant
☐ 3 Federal Question (U.S. Government Not a Party)
☒ 4 Diversity (Indicate Citizenship of Parties in Item III)

III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

- | | PTF | DEF | | PTF | DEF |
|---|---------------------------------------|----------------------------|--|----------------------------|---------------------------------------|
| Citizen of This State | <input type="checkbox"/> 1 | <input type="checkbox"/> 1 | Incorporated <i>or</i> Principal Place of Business In This State | <input type="checkbox"/> 4 | <input checked="" type="checkbox"/> 4 |
| Citizen of Another State | <input checked="" type="checkbox"/> 2 | <input type="checkbox"/> 2 | Incorporated <i>and</i> Principal Place of Business In Another State | <input type="checkbox"/> 5 | <input type="checkbox"/> 5 |
| Citizen or Subject of a Foreign Country | <input type="checkbox"/> 3 | <input type="checkbox"/> 3 | Foreign Nation | <input type="checkbox"/> 6 | <input type="checkbox"/> 6 |

IV. NATURE OF SUIT (Place an "X" in One Box Only)

CONTRACT	TORTS	FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES
<input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input checked="" type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise	PERSONAL INJURY <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury PERSONAL INJURY <input type="checkbox"/> 362 Personal Injury - Med. Malpractice <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability PERSONAL PROPERTY <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 R.R. & Truck <input type="checkbox"/> 650 Airline Regs. <input type="checkbox"/> 660 Occupational Safety/Health <input type="checkbox"/> 690 Other LABOR <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act IMMIGRATION <input type="checkbox"/> 462 Naturalization Application <input type="checkbox"/> 463 Habeas Corpus - Alien Detainee <input type="checkbox"/> 465 Other Immigration Actions	<input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 PROPERTY RIGHTS <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark SOCIAL SECURITY <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g)) FEDERAL TAX SUITS <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS—Third Party 26 USC 7609	<input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 490 Cable/Sat TV <input type="checkbox"/> 810 Selective Service <input type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 890 Other Statutory Actions <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes
REAL PROPERTY <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	CIVIL RIGHTS <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 445 Amer. w/Disabilities - Employment <input type="checkbox"/> 446 Amer. w/Disabilities - Other <input type="checkbox"/> 440 Other Civil Rights PRISONER PETITIONS <input type="checkbox"/> 510 Motions to Vacate Sentence Habeas Corpus: <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition			

V. ORIGIN

(Place an "X" in One Box Only)

- ☒ 1 Original Proceeding
☐ 2 Removed from State Court
☐ 3 Remanded from Appellate Court
☐ 4 Reinstated or Reopened
☐ 5 Transferred from another district (specify)
☐ 6 Multidistrict Litigation
☐ 7 Appeal to District Judge from Magistrate Judgment

VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):
28 USC Section 1332(a)(2)

Brief description of cause:

Breach of Fiduciary Duty, Gross Mismanagement, Abuse of Control, Waste of Corporate Assets**VII. REQUESTED IN COMPLAINT:**

☐ CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23

DEMAND \$

CHECK YES only if demanded in complaint:

JURY DEMAND: ☒ Yes ☐ No**VIII. RELATED CASE(S) IF ANY**

(See instructions):

JUDGE

DOCKET NUMBER

DATE

SIGNATURE OF ATTORNEY OF RECORD

02/10/2012

s/Lionel Z. Glancy

FOR OFFICE USE ONLY

RECEIPT #

AMOUNT

APPLYING IFP

JUDGE

MAG. JUDGE